

**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554**

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In the Matter of the Application of	)	
	)	
WORLDCOM, INC. (Debtor-in-Possession)	)	
d/b/a MCI and	)	
Certain of its Subsidiaries (as debtors-in-possession)	)	Docket No. WC 02-215
	)	
For Authorization To Assign and/or	)	
Transfer Blanket Domestic Section 214 Authorization	)	
and International Section 214 Authorizations	)	
Pursuant to Section 214 of the	)	
Communications Act of 1934, as Amended	)	
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**REPLY COMMENTS OF WORLDCOM, INC. IN SUPPORT OF APPLICATIONS**

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**INTRODUCTION AND SUMMARY**

As set forth in more detail in WorldCom’s initial Applications, the swift grant of WorldCom’s request to transfer and/or assign its licenses from the debtor-in-possession (“DIP”) to the post-bankruptcy reorganized company (the “Reorganized Company”) will yield substantial public interest benefits.<sup>1</sup> In particular, such a grant: (1) promotes the economic and social

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<sup>1</sup> Given that the transfers sought in the Applications merely are in furtherance of the Company’s emergence from bankruptcy, the Applications do not warrant the in-depth public interest analysis that otherwise might be deemed appropriate in a corporate merger, acquisition, or similar transaction. *See In re Application of WorldCom, Inc. for Authorization to Transfer and/or Assign Blanket Domestic Section 214 Authorization and International Section 214 Authorizations*, No. WC 02-215, Application, at 13-14 (“Application”). Further, section 1123(a)(5) of the Bankruptcy Code provides that, “notwithstanding any otherwise applicable nonbankruptcy law, a plan shall . . . provide adequate means for the plan’s implementation,” including transfers of assets (including licenses) to one or more entities. *See* 11 U.S.C. § 1123. Accordingly, the Commission’s review in this instance should be limited to that necessary to assure the proper and efficient transfer of licenses and authorizations from WorldCom as debtor-in-possession to the Reorganized Company.

policies that Chapter 11 of the Bankruptcy Code was designed to achieve; (2) furthers the development of competition in telecommunications markets, by ensuring that WorldCom — one of the largest and most viable competitors to incumbent carriers — can continue its long-standing legacy of offering innovative services in markets nationwide; and (3) protects the interests of those residential and business customers who rely on WorldCom to provide essential telecommunications services, and avoids unnecessary interruptions in those customers' service.<sup>2</sup> Prompt approval of the Applications will ensure that the economy, marketplace, creditors, and subscribers can continue to enjoy these benefits, and will allow the reorganization to proceed in accordance with the current schedule.<sup>3</sup>

The Office of Communications of the United Church of Christ ("UCC") and Margaret F. Snyder ("Snyder") have filed pleadings advocating the denial of WorldCom's applications. Both petitions to deny make sweeping generalizations about the Company's "character," ignoring completely the important social and economic policies, and pro-competitive benefits, that the Reorganized Company's retention of its licenses would further. UCC asserts that the circumstances that spurred the WorldCom bankruptcy draw into question WorldCom's fitness to be a licensee, but then does little more than incorporate by reference previous submissions in which UCC argued that the Commission should investigate those fitness issues. The Snyder petition takes a similar tack, alleging that WorldCom's licenses should be revoked because the Company's past conduct shows that it does not meet the character qualifications that are purportedly applicable to all FCC licensees. As explained in more detail below, both petitions

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<sup>2</sup> See Application at 13-22; see also *In re Application of WorldCom, Inc. for Authorization to Transfer and/or Assign Blanket Domestic Section 214 Authorization and International Section 214 Authorizations*, No. WC 02-215, Comments of the Official Committee of Unsecured Creditors of WorldCom, Inc. *et al.*, at 1-7 ("Unsecured Creditors' Comments").

<sup>3</sup> See Unsecured Creditors' Comments at 8-9.

are wrong on the law and unpersuasive on the facts, and should not hinder the prompt approval of the Applications.

**I. GRANTING WORLDCOM'S APPLICATIONS IS ENTIRELY CONSISTENT WITH THE PUBLIC INTEREST.**

**A. THE PRIOR MISCONDUCT OF FORMER WORLDCOM EMPLOYEES DOES NOT PROVIDE A VALID REASON TO DENY THE APPLICATIONS.**

Both Snyder and UCC claim that the Commission should deny the license transfer applications because of the accounting fraud committed by former WorldCom employees. Although they present slightly different justifications for their position and propose different remedies,<sup>4</sup> at bottom both parties allege that the actions of former employees of the pre-bankruptcy Company affect the reorganized entity's fitness to hold FCC licenses, and advocate the denial of the license transfer applications as a form of punishment for these past misdeeds. Those arguments are groundless.

The Snyder and UCC petitions suffer the same fundamental flaw — they equate the pre- and post-bankruptcy entity, and wholly ignore the significant distinction between the wrongdoers and the Company itself. WorldCom deeply regrets that certain former employees apparently engaged in massive accounting fraud, and that those individuals' past misdeeds precipitated driving the Company into bankruptcy — with grave consequences for employees, creditors,

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<sup>4</sup> UCC states that the Applications should be denied and the Commission should initiate hearings to review WorldCom's fitness to hold licenses. *In re Application of WorldCom, Inc. for Authorization to Transfer and/or Assign Blanket Domestic Section 214 Authorization and International Section 214 Authorizations*, Docket No. WC 02-215, Office of Communications of the United Church of Christ, Petition to Deny, at 1 ("UCC Pet."). Snyder argues that the Commission should initiate revocation proceedings. *In re Application of WorldCom, Inc. for Authorization to Transfer and/or Assign Blanket Domestic Section 214 Authorization and International Section 214 Authorizations*, Docket No. WC 02-215, Margaret F. Snyder, Petition to Deny Transfer of Licenses, Authorizations, and Certifications of WorldCom, Inc., at 1-2, 13 ("Snyder Pet.").

shareholders, and others. The Company's submissions here in no way should be construed to diminish the seriousness of these fraudulent actions.<sup>5</sup> But it is simply wrong, as a matter of law and equity, to equate the small number of individuals who "used the *vehicle* of the company to commit a fraud,"<sup>6</sup> with the corporation itself. In this case, the Company discovered and reported the misconduct, has fully cooperated with the criminal and civil investigations related to those former employees' transgressions, and has taken aggressive steps to clean house.<sup>7</sup> As one federal judge overseeing the SEC proceeding has determined, the Company has "replaced its entire board of directors, hired a new and dynamic chief executive officer and begun recruiting other senior managers from without, fired or accepted the resignation of every employee accused by either the board's own Special Investigative Committee or the Bankruptcy examiner of having perpetrated the fraud, and terminated even those employees who, while not accused of personal misconduct, are alleged to have been insufficiently attentive in preventing the fraud."<sup>8</sup> The Company's Special Investigative Committee — whose members had no affiliation with the Company during the time the fraud was committed — has devoted unprecedented resources to investigating employees' conduct and adopting safeguards to ensure that the Company remains a good corporate citizen.<sup>9</sup> The Company has adopted strict ethics standards and implemented

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<sup>5</sup> See Application at 19.

<sup>6</sup> *Securities and Exchange Commission v. WorldCom, Inc.*, No. 02-Civ.-4963 (JSR), slip op. at 1 (S.D.N.Y. July 7, 2003) (emphasis added) (attached hereto at Tab 1).

<sup>7</sup> Written Statement of Nicholas DeB. Katzenbach, Before the Committee on the Judiciary, United States Senate, at 3-4, 6-8 (July 22, 2003) ("Katzenbach Test.") (attached hereto at Tab 2).

<sup>8</sup> *SEC v. WorldCom* at 3.

<sup>9</sup> Katzenbach Test. at 7-8; see also *SEC v. WorldCom* at 2-5, 11-12.

policies to ensure that employees live up to those standards.<sup>10</sup> WorldCom has agreed to pay a substantial fine to resolve the pending charges against it, and has consented to ongoing scrutiny by the Corporate Monitor.<sup>11</sup> Thus, the past misdeeds of a few provide no basis to impede the company's reorganization by denying the pending Applications.<sup>12</sup>

These facts belie Snyder's suggestion that WorldCom has not adequately investigated the accounting fraud, and that the Applications overstate the extent of the Company's corrective actions.<sup>13</sup> In fact, two federal judges have rejected similar arguments, and confirmed that the Company *has* instituted dramatic change. The Honorable Jed S. Rakoff, who presides over the SEC-related proceedings, observed that "no [other] large company accused of fraud has so rapidly and completely divorced itself from the misdeeds of the immediate past and taken such extraordinary steps to prevent such misdeeds in the future."<sup>14</sup> Judge Rakoff also noted that the Company has sought, in conjunction with the SEC:

[n]ot just to clean house, but to put the company on a new and positive footing; Not just to enjoin future violations, but to create models of corporate governance and internal compliance for this and other companies to follow; Not just to impose penalties, but to help stabilize and reorganize the company and thereby help preserve more than 50,000 jobs and obtain some modest, if inadequate, recompense for those shareholder victims who would otherwise recover nothing whatever from the company itself.<sup>15</sup>

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<sup>10</sup> Katzenbach Test. at 8; Written Statement of Marcia Goldstein, Before the Committee on the Judiciary, United States Senate, at 7 (July 22, 2003) ("Goldstein Test.") (attached hereto at Tab 3).

<sup>11</sup> *SEC v. WorldCom* at 3-5, 11-12.

<sup>12</sup> See Peter Ferrarra, Americans for Tax Reform: Policy Brief, *The Worthy Survival of WorldCom*, at 2 ("The sound free market policy in this situation is that once the corrupt officials who perpetrated the fraud are removed and sent for appropriate punishment, as has already happened here, the fate of the company itself must be left to the established law, the marketplace, and the wishes of consumers.") (available at <<http://www.atr.org/pdf/files/worldcompaper.pdf> >).

<sup>13</sup> See Snyder Pet. at 6-7, 10-13.

<sup>14</sup> *SEC v. WorldCom* at 5; see also *id.* at 7 (noting "the company's extraordinary efforts to become a model corporate citizen").

<sup>15</sup> *SEC v. WorldCom* at 2.

And the judge overseeing the bankruptcy proceedings concluded that there was no evidence that “current management” had engaged in “fraud, dishonesty, incompetence, gross mismanagement,”<sup>16</sup> or other conduct that would necessitate the appointment of a bankruptcy trustee. Indeed, given that WorldCom had hired a new CEO and replaced its board of directors, Judge Gonzalez concluded that the Company’s “trustworthiness is no longer at issue.”<sup>17</sup>

The congressional testimony of Nicholas Katzenbach, a member of the Special Investigative Committee, further corroborates the Applications’ description of the Company’s turn-around.<sup>18</sup> Mr. Katzenbach confirmed that the Company has taken significant steps “to demonstrate its good will; to reform its corporate governance structure; to strengthen its internal safeguards against any wrongdoing in the future; and to enhance the quality of its operations.”<sup>19</sup> For example, after discovering the accounting fraud the Company immediately alerted the relevant governmental authorities, opened an independent investigation into the fraudulent activity, and severed ties with all personnel associated with the inappropriate conduct.<sup>20</sup> The new management and new Board of Directors have implemented comprehensive changes to make “business integrity, open communication, ethics and sound corporate governance the core principles of [the] company,”<sup>21</sup> and the Company’s accounting and finance departments have

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<sup>16</sup> *In re WorldCom, Inc. et al.*, Memorandum Decision and Order Denying Motions for Appointment of A Chapter 11 Trustee and Examiner, No. 02-13533 (AJG), slip op. at 10 (Bankr. S.D.N.Y. May 16, 2003) (“May 16 Order”) (quoting 11 U.S.C. § 1104(a)(1)).

<sup>17</sup> *May 16 Order* at 22.

<sup>18</sup> *See Katzenbach Test.* at 3-9.

<sup>19</sup> *Id.* at 6.

<sup>20</sup> *Id.*

<sup>21</sup> *Id.* at 7; *see also id.* at 8 (describing company’s “zero tolerance” policy regarding violations of law, company policy, or ethics standards); *id.* at 9 (noting efforts to prevent future employees’ concealment of unethical or unlawful conduct by making “open, far-reaching communication a hallmark of the new MCI”).

been completely overhauled.<sup>22</sup> In sum, there is no reason to doubt that the Company has changed significantly in the past year,<sup>23</sup> and it is the *Snyder* petition that ignores and misstates the degree of those changes.

The opposing commenters' efforts to equate the current Company with the past wrongdoers are also at odds with the legal concept of corporate reorganization. The Bankruptcy Code gives all troubled businesses a "fresh start," and allows them to emerge from bankruptcy unencumbered by preexisting debts. Reorganization takes this concept a step further — the rehabilitated enterprise is viewed as a 'new company,' that has effectively been "taken over by its creditors."<sup>24</sup> Reaching forward in this instance to penalize the Reorganized Company for actions taken by the prepetition entity ignores this crucial distinction, and turns the "fresh start" principle on its head.<sup>25</sup> Accordingly, Congress noted in the Code's legislative history that a reorganized company "will not continue to be liable for [obligations] arising from the corporation's prepetition fraud . . . since the creditors who take over the reorganized company should not bear the burden of acts for which the creditors were not at fault."<sup>26</sup> And the

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<sup>22</sup> *Id.* at 7.

<sup>23</sup> See Doug Bandow, *Investor's Business Daily*, "Fight Rivals in Marketplace, Not in Halls of Government" (July 22, 2003) (noting that "no matter how one characterizes last year's WorldCom, today's MCI is very different").

<sup>24</sup> S. Rep. 95-989, at 130 (1978), *reprinted in* 1978 U.S.C.C.A.N. 5787, 5915.

<sup>25</sup> See Goldstein Test. at 4-6.

<sup>26</sup> *Id.*



Commission itself repeatedly has recognized that a corporate reorganization may absolve carriers of past misconduct.<sup>27</sup>

As a practical matter, nothing that the Commission may do to the post-bankruptcy entity would “hurt the already-departed and already-disgraced senior management of WorldCom, who were ousted and replaced after the fraud was discovered,” because their ties to the Company have been severed.<sup>28</sup> Indeed, imposing the penalties that UCC and Snyder seek would not provide “justice,”<sup>29</sup> but would instead compound the harm suffered by innocent creditors, employees, shareholders, and customers. For example, preventing the Reorganized Company from holding FCC licenses would harm the millions of consumers that have chosen to subscribe to WorldCom services.<sup>30</sup> Current WorldCom employees also would be harmed, causing the loss of jobs that the Bankruptcy Code’s rehabilitation provisions were designed to prevent.<sup>31</sup> The Company’s creditors would be penalized yet again, and would lose the benefits of the Code procedures that allow them to minimize their losses and recover the maximum possible value for their claims.<sup>32</sup> In sum, denying the license transfer and impeding the Company’s reorganization

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<sup>27</sup> See, e.g., *In re Applications of A.S.D. Answer Service, Inc., B.W. Communications, Inc., P.A.L. Communications Systems Inc., Vineyard Communications, Inc. for Authority to Construct New One-Way Paging Systems in the Domestic Public Land Mobile Radio Service on 34 and 43 MHz Frequencies at Various Locations Throughout the United States*, 1 F.C.C.R. 753, ¶ 12 (1986); *In re Twigs County Cellular Partnership, Petition for Waiver of Section 22.944(a) of the Commission’s Rules*, 1999 WL 401949, ¶ 10 (FCC rel. June 18, 1999).

<sup>28</sup> Katzenbach Test. at 3; see also Goldstein Test. at 14.

<sup>29</sup> Snyder Pet. at 2.

<sup>30</sup> See *May 16 Order* at 23 (“For many customers, WorldCom provides the backbone of their business, and the Debtors’ inability to serve such customers, including the United States government, could prove devastating.”); see also *Application* at 18.

<sup>31</sup> Katzenbach Test. at 5-6.

<sup>32</sup> Goldstein Test. at 14; see generally Comments of Unsecured Creditors’ Committee at 1 n.1 (noting that “the unsecured creditors’ ability to receive value on the substantial debt they are owed by WorldCom is likely to be largely affected by WorldCom’s post-bankruptcy value as a going concern”).

efforts would “at best, be a futile gesture—and, at worst, would inflict further pain on the innocent.”<sup>33</sup>

**B. THERE IS NO REASON FOR THE COMMISSION TO COMMENCE AN INVESTIGATION OF WORLDCOM’S ELIGIBILITY TO HOLD OR RETAIN ITS LICENSES.**

Perhaps recognizing the spurious nature of their attack on the character of the Reorganized Company, UCC and Snyder request that the Commission initiate separate proceedings to investigate WorldCom’s fitness to retain or hold FCC licenses. UCC argues that the Commission must independently investigate WorldCom’s qualifications to hold FCC licenses, and incorporates by reference its previous filing requesting commencement of a section 403 investigation.<sup>34</sup> Snyder claims that the Commission should initiate revocation hearings, and therein determine that WorldCom’s licenses should be revoked if WorldCom made false statements to the FCC, defrauded its competitors, made fraudulent statements to the S.E.C., or engaged in other misconduct.<sup>35</sup> These requests go well beyond the limited public interest inquiry that should be conducted here, and indeed should only be addressed, if at all, in a separate prospective rulemaking proceeding, rather than in any way delaying the grant of the Applications. But even if this were the proper forum to seek such redress — which it is not — UCC’s and Snyder’s unmeritorious allegations do not come close to articulating a sound basis for initiating revocation proceedings or a section 403 investigation.

First, both the earlier UCC submissions and the Snyder petition mischaracterize the relationship between the character qualifications that govern broadcasters (articulated in the

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<sup>33</sup> Katzenbach Test. at 3; *see also SEC v. WorldCom* at 8 (describing harms that would result from “kill[ing] the company”); Application at 16 (quoting SEC’s observation that “the liquidation of WorldCom would harm creditors, investor victims, and WorldCom’s employees, while benefiting only WorldCom’s competitors”).

<sup>34</sup> *See* UCC Pet. at 4.

<sup>35</sup> *See* Snyder Pet. at 1-2.

Commission's *Broadcast Character Qualifications Statement*<sup>36</sup>) and those that apply to common carriers' Section 214 authorizations. When the FCC reviews common carriers' license applications, it generally focuses on the competitive effects of granting the licenses, not on the applicant's character.<sup>37</sup> In contrast, pursuant to an express Congressional mandate, the FCC *does* routinely consider character when evaluating broadcast licensees' applications.<sup>38</sup> That distinction makes sense not only because Title II of the Communications Act lacks the express reference to character contained in Title III, but also because broadcast spectrum is a scarce resource, and character is arguably relevant to broadcasters' roles as purveyors of content utilizing unique and valuable public property.<sup>39</sup> As the UCC and Snyder petitions demonstrate, investigating such vague concepts as a carrier's "character" would also unnecessarily complicate the licensing process, and invite parties to raise dubious allegations of bad character whenever a company against whom they bear a grudge has a pending license application.<sup>40</sup> Accordingly, the Commission has *never* said that the broadcast character standards govern both broadcasters *and* common carriers. To the contrary, the decision that Snyder and UCC cite as support for exporting the *Broadcast Character Qualifications Statement* to common carriers' section 214

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<sup>36</sup> *In re Policy Regarding Character Qualifications in Broadcast Licensing*, 102 F.C.C.2d 1179 (1986).

<sup>37</sup> See WorldCom, Inc.'s Comments In Opposition to Petition for Rulemaking and Request for Initiation of § 403 Proceeding Into Character of WorldCom, Inc. and Other Commission Licensees, No. RM-10613, at 5-6, 11 (filed Jan. 31, 2003) ("WorldCom § 403 Comments"); see also Application at 20-21. WorldCom incorporates the comments it filed in opposition to the UCC petition, and its reply comments in that proceeding, herein by reference.

<sup>38</sup> See WorldCom § 403 Comments at 5-6.

<sup>39</sup> See WorldCom § 403 Comments at 6; Application at 20-21; see also *In re Policy Regarding Character Qualifications in Broadcast Licensing*, 1 F.C.C.R. 421, ¶ 18 (1986) (concluding that "common carriers are distinguished from broadcasters for purposes of character qualifications because no content regulation is involved") ("*Broadcast Policy Order*").

<sup>40</sup> See, e.g., *Broadcast Policy Order* ¶ 4 (describing the difficulties created by the lack of Congressional guidance regarding the definition of character).

authorizations — *MCI Telecommunications Corp.*<sup>41</sup> — rejected that proposition, and concluded that “[a]lthough *not* directly applicable to common carriers, the character qualifications standards adopted in the broadcast context *can provide guidance* in the common carrier area....”<sup>42</sup>

In those rare instances in which the Commission has looked to the broadcast standards as guidance in other arenas, it has explained that its decision to do so does *not* indicate that “the standard for judging the materiality of misconduct allegations . . . should be as strict as that specified . . . with regard to broadcast applicants.”<sup>43</sup> Accordingly, the Commission has repeatedly approved common carrier license applications in the face of character challenges.<sup>44</sup> Thus it is not surprising that Snyder and UCC have failed to identify a single situation in which the Commission has revoked or denied a common carrier’s license based on the applicant’s character qualifications.

Second, even if the Commission deems it proper to consider licensees’ character, none of the allegations in the Snyder and UCC petitions would warrant initiation of a section 403 investigation or license revocation proceedings. When making initial licensing and revocation determinations, the Commission traditionally has focused on the need to promote local competition, the need for universal service, and the need to allocate scarce spectrum. In contrast,

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<sup>41</sup> 3 F.C.C.R. 509 (1988) (“*MCI Revocation Petition Order*”).

<sup>42</sup> *Id.* ¶ 31 n.14 (emphasis added).

<sup>43</sup> *In re Application of Continental Satellite Corporation for Assignment of Direct Broadcast Satellite Orbital Positions and Channels and For Consent to Transfer of Control to Loral Aerospace Holdings, Inc.*, 10 F.C.C.R. 10473, ¶ 34 n.45 (1995) (considering the proposed transfer of a direct broadcast satellite system).

<sup>44</sup> See WorldCom § 403 Comments at 8-9, 12-13 (citing cases).

the Commission has *not* focused on a company's accounting practices.<sup>45</sup> Commission decisions initiating section 403 investigations also remain focused on telecommunications policy matters.<sup>46</sup> Notably, Snyder has not cited a single case in support of her novel assertion that the Commission has typically reached beyond its core regulatory responsibilities to consider accounting fraud as an independent ground for revoking licenses. Nor could she. The Commission appears *never* to have revoked a license or opened a section 403 investigation based on facts such as these.<sup>47</sup>

Moreover, the Snyder and UCC petitions conveniently gloss over the fact that these very issues already have been reviewed, or are in the process of being addressed, in other forums. The Securities and Exchange Commission and the Department of Justice, which are directly responsible for regulating the conduct at issue, have fully investigated these issues, and there is no reason for the Commission to duplicate their efforts.<sup>48</sup> WorldCom has agreed to pay unprecedented fines to the SEC to resolve that agency's investigation, and has consented to the entry of a permanent injunction regarding the Company's future conduct and compliance with securities laws.<sup>49</sup> The Commission should not use this proceeding as a vehicle for duplicating the efforts leading to the SEC settlement or other agency proceedings.

Snyder and UCC attempt to bring their accusations into the purview of the Commission's core regulatory authority by suggesting that WorldCom has made misrepresentations to the Commission itself. Those arguments must also fail. It is true that WorldCom routinely provides

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<sup>45</sup> In fact, the FCC has limited its accounting regulations as part of a broader deregulatory trend. *See* WorldCom, Inc.'s Reply Comments to Petition for Rulemaking and Request for Initiation of § 403 Proceeding Into Character of WorldCom, Inc. and Other Commission Licensees, No. RM-10613, at 4-5 (filed Feb. 19, 2003) ("WorldCom § 403 Reply Comments"); WorldCom § 403 Comments at 13-14.

<sup>46</sup> *See* WorldCom § 403 Comments at 17 (citing specific examples).

<sup>47</sup> *See id.*

<sup>48</sup> *See* Application at 21.

<sup>49</sup> *See* Goldstein Test. at 6-7.

10-K reports to the FCC, and may provide additional financial data in other contexts. But to initiate a section 403 investigation or revocation proceeding on the basis of inaccuracies contained in that data would turn every financial misstatement into a basis for Commission action — thereby eviscerating the distinction between financial and telecommunications-related misconduct.<sup>50</sup> Moreover, it must be pointed out that the apparent fraud committed in this instance related only to the Company's capital expenses, which in turn would affect the Company's reported profit or loss margins. Of far more pertinent interest to the Commission is the accurate reporting of interstate telecommunications revenues, which constitute the basis for the Federal Universal Service Fund program, payphone compensation, the payment of regulatory fees, and other common carriage obligations. Neither of the parties here has alleged that WorldCom misreported those revenue figures, or that the FCC's various regulatory programs have been short-changed as a result of the accounting fraud.

The opposing commenters' allusions to recent allegations of misrouted telecommunications traffic also do not provide a basis for a section 403 investigation or revocation hearing. The Commission has already announced that it has opened a separate proceeding to investigate those charges; based on preliminary findings, WorldCom believes that the investigation will show that the Company has complied with the Commission's current rules in all material respects. Attempting to review those claims in connection with the instant

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<sup>50</sup> See WorldCom § 403 Reply Comments at 10-11.

Applications would be duplicative at best, and at worst would transform every routine license transfer process into a melee of spurious allegations between competitors.<sup>51</sup>

Finally, Snyder's allegation that WorldCom has made "material misrepresentations" to the FCC in connection with its Applications, and that the Company's responses to questions 75 and 77 on the FCC Form 603 "lack candor,"<sup>52</sup> is based on a careless reading of the relevant questions and should be rejected out of hand. Question 75 asks whether "the Assignee or Transferee or any party to this application, or any party directly or indirectly controlling the Assignee or Transferee, or any party to this application [has] ever been convicted of a felony by any state or federal court."<sup>53</sup> WorldCom honestly and correctly responded in the negative. As explained above, the former WorldCom employees that were responsible for the accounting irregularities are no longer associated with the Company, and were not with the Company when the applications were filed. As a result, those individuals are outside the scope of Question 75, and Snyder's contrary assertions are mistaken. Question 77 asks whether "the Assignee or Transferee or any party to this application, or any party directly or indirectly controlling the Assignee or Transferee [is] currently a party in any pending matter referred to in the preceding two items."<sup>54</sup> Again, WorldCom has not been formally charged in any criminal action, nor was it the subject of any such action at the time it filed its Applications with the Commission. The Department of Justice has not brought any formal criminal charges against WorldCom or its

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<sup>51</sup> Indeed, several of WorldCom's rivals have mounted such self-serving attacks in other forums, and "attempt[ed] to use political and regulatory means to quash MCI" instead of competing with the Company in the marketplace. Katzenbach Test. at 5; *see also id.* at 4-5, 11; *see generally, e.g., SEC v. WorldCom* at 6 (rejecting competitors' assertion that the Company should be liquidated).

<sup>52</sup> Snyder Pet. at 12.

<sup>53</sup> FCC Form 603, Question 75.

<sup>54</sup> FCC Form 603, Question 77. The "preceding two items" cited above in question 77 refer to question 75 and question 76. Question 76 addresses the unlawful monopolizing of radio communications — which is not at issue in this case.

subsidiaries as corporate entities, and the employees that were involved in the accounting irregularities are no longer with the Company.<sup>55</sup> Further, WorldCom's recent settlement with the SEC was the result of a *civil* — not criminal — action. Thus, WorldCom's response to this question was also honest and truthful. Indeed, given that WorldCom expressly disclosed and discussed the matter in its Applications, and the Commission is fully aware of its existence, withholding pertinent information in these standard responses would have served little or no purpose.

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<sup>55</sup> We note again that WorldCom is cooperating fully with various governmental investigations initiated as a result of the Company's past accounting irregularities.



## **CONCLUSION**

For the foregoing reasons, WorldCom's applications for assignment and/or transfer of its FCC licenses and authorizations should be granted promptly.

Sincerely,

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Dated: August 18, 2003